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Canada's New Government Provides Substantial Tax Relief Beginning July 1

The Honourable Jim Flaherty, Minister of Finance, reminded Canadians of tax changes that will take effect July 1, 2006.

"In Budget 2006, Canada's new government introduced more than $26 billion in tax relief over the next two years, of which over 90 per cent will go to individuals," Minister Flaherty said.

Effective July 1:

- About 655,000 low-income Canadians will be removed from the tax rolls altogether.
- The GST will be reduced to 6 per cent from 7 per cent. This will put almost $9 billion into the pockets of Canadians over the next two years.
- Working Canadians will become eligible for the Canada Employment Credit on up to $500 of annual employment income to help pay the additional costs of employment—costs for things like uniforms, computers or safety gear. Next year, the amount of employment income eligible for the credit will increase to $1,000.
- The lowest personal income tax rate will be permanently reduced to 15.5 per cent.
- The basic personal amount—the amount that an individual can earn without paying federal income tax—will increase each year and remain above previously legislated levels for 2005, 2006 and 2007.
- Canadians who buy monthly transit passes will get a tax credit. A person who buys passes costing $80 a month will receive about $150 a year in federal tax relief. That will save commuters $370 million over the next two years.
- Excise duty on Canadian wine produced with 100 per cent Canadian agricultural products is eliminated, a reduction of 62 cents a litre.
- Excise duties are reduced on the first 75,000 hectolitres of Canadian-produced beer. All Canadian brewers will enjoy excise duty savings of about $2.30 on a 24-pack of 341 ml bottles on their first 2,000 hectolitres of production per year.

- The minimum tax on financial institutions will be modified as of July 1, 2006, which will reduce government revenues by $15 million in 2006–07.

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